

United States Senator

BOB BENNETT

Joint Economic Committee

For Immediate Release
February 26, 2003

Contact: Gary Blank, (202) 224-7943
Mary Jane Collipriest, (202) 224-5444

Chairman's Opening Statement

Senator Robert F. Bennett

Joint Economic Committee Hearing on the "Economic Report of the President" February 26, 2003

Good afternoon and welcome to today's hearing. The Employment Act of 1946 created the Joint Economic Committee and Council of Economic Advisors, or CEA, and explicitly mandated one task for each: That the Council of Economic Advisors issue an Economic Report every year and officially present it to the Congress, and that the Joint Economic Committee issue a response to the report. Today's hearing is the official presentation of the Economic Report to the Congress by the CEA.

We welcome the members of the CEA to Congress today. Dr. Hubbard and Dr. Kroszner, we have enjoyed working with you and your team and we look forward to continued cooperation between the CEA and our Committee. The other members of the Committee and I are anxious to hear your thoughts about the current state of the economy, the president's various tax reform proposals, and the numerous other policy reforms presented in the Economic Report of the President, or ERP.

What stands out the most about the Economic Report of the President is its sheer breadth. In the report the administration lays out the current state of tax policy, regulatory policy, the current state of the economy, corporate governance issues, and international development in great detail. What's more, in the report the administration clearly signals its short-term and long-term goals in each individual area.

The administration has taken on an amazing array of reforms since the president's inauguration, and for this it ought to be commended. While political sensibilities suggest that an administration focus on a small number of bite-size, stage-manageable reforms that play well to swing voters, the administration rejected any thought of this early on in the term. Its efforts in the area of tax reform bear testimony to that; it has moved to lower the marginal tax rate for all workers, reduce the tax on capital income, expand and reform tax-preferred savings accounts, eliminate the death tax, remove tariffs on

goods imported from developing countries, and has signaled its intention in upcoming months that it will attempt to introduce personal accounts to supplement Social Security. “Bite-sized” is not the adjective that comes to mind when looking at these proposals. “Bold” or “far-reaching” are more appropriate.

Politically, every single proposal draws the ire of a substantial constituency, and not just on the left. However, the tax reforms proposed by the administration all contribute to higher savings and investment, the necessary ingredients for increasing growth in the long run. The administration has resisted efforts to lard its recent growth package with dubious spending programs or temporary tax cuts designed to produce a short-run impetus to the economy, and for that it should be commended. When the Bush plan is enacted I believe that it will usher in an extended period of exceptional growth, not just here but abroad as well. And as I’ve said before, economic growth is a wonderful elixir that can cure a wide array of problems.

The proposed economic reforms outside of the tax code are just as bold, in my mind. For instance, the administration’s push for the Millennium Challenge Account may prove to be a turning point in the efficacy of foreign aid. To cite another interesting policy initiative, bringing a greater emphasis on rigorous cost-benefit analysis and market forces to the regulatory arena will ultimately result in policy outcomes that allow us to meet our goals of improved workplace safety, a cleaner environment, safer food and drugs, and less government intrusion into the market, with a lower cost to the government and the taxpayers. A third policy innovation worthy of mention is the introduction of personal re-employment accounts, a tool that should make it easier for those out of work to get new training and re-enter the work force.

We also eagerly anticipate your discussion of the macroeconomic situation. My personal thoughts on the state of the economy are well known. In the last three years the U.S. economy has sustained a number of economic shocks, any one of which should have been enough to send the economy into a tailspin. The collapse of the internet bubble, corporate malfeasance, the 9-11 terrorist attacks, wildly oscillating oil prices, and a military showdown in the Middle East more than offset the relatively sanguine decade following the Persian Gulf War. Despite the massive uncertainty, fear, and caution injected into the economy we still managed to grow at a rate of 2.75 percent in 2002, a feat that I believe bears testament to the amazing resilience of our country and its people.

Dr. Hubbard and Dr. Kroszner, again welcome to the Joint Economic Committee. We also extend a welcome to our second set of panelists, who will testify on the administration’s Economic Report and the current state of the economy following the testimony of Drs. Hubbard and Kroszner. Our second panel consists of Dr. Henry Aaron of the Brookings Institution, Dr. Eric Engen of the American Enterprise Institute, and Dr. Dan Mitchell of the Heritage Foundation. We look forward to your thoughts as well.

###